

# **Rev-A-News**

*Our DOR is always open to you.*

## **Compliance and Collection**

### **Targeting the Tax Deadbeats**

*By The Helena IR - 03/03/04*

Americans spend so much time complaining about their taxes that you have to think they enjoy it. After all, everybody's pretty much in the same boat, and grumbling loves company. But when talk turns to people getting away with evading taxes, the atmosphere cools considerably. It's one thing to engage in a little companionable complaining. It's quite another for people to stiff the rest of us for the bill.

That's why it was gratifying last week to learn that the state's new effort to collect past-due income taxes is succeeding handsomely.

It was only late last year that the state Revenue Department hired a Texas collection company - GC Services Limited Partnership - to go after about 25,000 delinquent accounts owing Montana roughly \$27 million. In just three months, the firm already has collected \$1 million.

Targeted are out-of-state residents whose payments of between \$20 and \$200 are at least two years overdue, and who probably figured Montana wouldn't be coming after them for such relatively small amounts. Ha. Think again.

The company gets 18.9 percent of the take, so Montana will receive \$811,000 of the first million collected. That's a good deal, considering that the Revenue Department concentrates on larger delinquencies and probably would have seen little if any of that money otherwise. In addition, because GC Services gets paid only after it collects, the arrangement costs the state no additional administrative expense.

Officials are so pleased with the company's performance so far that the department is likely to renew its one-year contract.

That's good news for money-strapped legislators and the recipients of state services. Montana needs every dollar it legitimately can scrape up. And the rest of us can go on grumbling a little more happily.

### **E-file Returns are Steadily Increasing**

With April 15 getting closer, the number of electronically filed returns is increasing significantly. As of March 1, the department processed 94,432 tax returns compared to 85,335 at the same time last year. This is a 10.6% increase after a little more than one month of E~Filing.

A small number of returns have been rejected for Direct Deposit errors (reject code 009). This is the most common rejection in electronic returns processing, and in most cases, is caused either by 1) a missing routing or account number or, 2) checking or savings account has not been selected. When an electronic return is rejected, it must be corrected and resubmitted electronically, or a hard copy return must be mailed to the department. To insure that Direct Deposit returns process correctly, it's important to verify that all banking and account information is complete and accurate.

### **Convenient New Payment Option-File Now, Pay Later!**

The department now offers Direct Debit of tax due when the return is E~Filed. Customers choose what date the payment is to be processed--anytime between the filing date and April 15th.

As of March 1, 739 Direct Debits have been processed or warehoused for future processing. This accounts for \$169,232 in taxes due.

### **What's New for Individual Income Tax**

The Department of Revenue's Income Tax Unit is in the midst of a busy individual income tax processing season. As of February 27, 2004, the department has processed more than 15,600 paper returns and 89,800 electronically filed returns, with an average refund of \$402.

As you gear up to file your clients' returns, the department wants to remind you about a couple new items on the Montana individual income tax return.

#### Advance Child Tax Credit (Montana Form 2A, Line 79)

Montana statute provides for an individual to take as a deduction in computing net income federal taxes paid during the tax year. (Reference 15-30-121(1)(b)). With this in mind, how does Montana treat IRC section 6429 "Advance payment of portion of increased child credit for 2003" enacted by the passage of the Job's and Growth Tax Relief Reconciliation Act of 2003?

Under the JGTRRA-2003 act, a taxpayer receiving the advance child tax credit in 2003 is treated as having made an estimated payment against his or her federal income tax liability for 2003 in the amount equal to the advance child tax credit refund amount.

Because this advance payment received in 2003 is treated as a refund of an overpayment of a federal estimated payment made in 2003, the net effect on the Montana individual income tax return is to reduce the amount of the federal taxes paid during 2003 claimed as an itemized deduction on Montana Form 2A. Montana Form 2A has been modified for tax year 2003 where all federal income taxes paid are reduced by the amount of the advance child tax credit.

For married couples who file separate returns, either spouse is entitled to the advance child tax credit deduction as long as the spouse claiming the deduction has paid and claimed federal taxes, federal withholding, federal estimated tax payments or back year federal taxes. The amount of the credit can be claimed by either spouse or split between each spouse as long as the sum of all federal taxes paid minus the advance child tax credit does not create a negative balance.

#### Health Care Professional Loan Payment Exclusion (Montana Form 2, Line 34)

The new health care professional loan payment exclusion allows an individual to exclude up to \$5,000 from Montana adjusted gross income.

To qualify for this deduction, a taxpayer must meet all of the following requirements:

- Be a health care professional licensed in Montana under Title 37;
- Serve a significant portion of a designated geographic area, special population, or facility population in a federally designated health professional shortage area, a medically underserved area or population, or a federal nursing shortage county
- Must have a student loan incurred as a result of the health-related education; and
- Receive a loan payment made on his or her behalf by a loan repayment program.

One of the first requirements to look at to determine if an individual qualifies for the exclusion is the "loan repayment test." An individual meets this requirement if he or she participates in a federal, state, or qualified private program. The U.S. Department of Health and Human Services offers two loan repayment programs (the National Health Service Corp program and the Nursing Education Loan Repayment Program) and the State of Montana offers the Montana Rural Physician Incentive Program. In addition, a health care facility licensed in Montana, which offers a private loan repayment program, qualifies.

There is also a service requirement. The U.S. Department of Health and Human Services or the Governor of the State of Montana may designate which areas qualify. You can access the U.S. Department of Health and Human Services designated Health Professional Shortage Area on the World Wide Web at <http://belize.hrsa.gov/newhpsa/newhpsa.cfm>. The Nursing Education Loan Repayment Program can be accessed at <http://bhpr.hrsa.gov/nursing/loanrefag.htm> and the Montana Rural Physician Incentive Program can be accessed at <http://www.montana.edu/wwwwami/docs/rpip/html>.

### **Montana Withholding Tax Reconciliations Will be "Annual-Only" Beginning Tax Year 2004**

Montana employers will see some significant changes regarding the administration of state withholding tax, beginning in tax year 2004.

Employers will continue to submit employees' withholding on a quarterly, monthly, or accelerated schedule based on the "look-back" letter received from the Department of Revenue in November of 2003. *However, employers will no longer be required to file quarterly reports to reconcile payments.* In an effort to streamline the process, employers will only be required to reconcile accounts at year-end when preparing employees' W2s.

- A revised MW-3 will be issued to employers later this year for use with the 2004 annual reconciliation. Form MW-3 was included in the 2004 coupon booklets sent to employers last November. However, as a result of the process change to require an "annual-only" reconciliation, the department is taking the opportunity to revise this form to make it more user-friendly, as well as to ensure that it captures all information necessary for our compliance efforts.
- With the change from "quarterly" reconciliations to an "annual-only" reconciliation, it is important that employers submit tax payments on time, as they will no longer be notified of any additional penalty and/or interest charges on a quarterly basis. Notification will be on an annual basis. Interest will accrue until the annual reconciliation of the account is complete.
- Employers will still be able to adjust payments and request refunds during the year.

We believe that the process change to require "annual-only" reconciliations will be mutually beneficial for both the department and Montana employers. We encourage you to call us at (406) 444-6900 with any questions or concerns that you may have regarding these changes.

### **On-Line File and Payment Options for Montana Employers**

#### **Business Tax Express**

Available at <https://app.discoveringmontana.com/bustax/>

1. Become a Business Tax Express Customer: Choose the 'sign up now' button and complete the online application.
2. Application Confirmation: Once your application is approved, you will receive an e-mail notification.
3. Enter Your Information: Log into the Business Tax Express to enter tax return and payment information using your FEIN and the password you created. The payment will be debited electronically from your bank account on the date you specify.

#### More Features

Once you log-in, you can:

- View your payment history
- Change your password
- Add additional employers to your account

Business Tax Express currently allows your company to file and/or pay for withholding tax. Services soon to come include: Rental Vehicle Tax and Lodging Facilities and Use Tax.

### **"New" WARP on the Web Website**

*Available March 15, 2004 the WARP on the Web (WOW) website will be located at [https://wow.dli.state.mt.us/wow\\_init.htm](https://wow.dli.state.mt.us/wow_init.htm)*

The WOW website is being modified to accept Unemployment Insurance (UI) filing and payment transactions only. WOW allows you to file UI taxes and wages, as well as make UI ACH debit payments on-line.

For previous customers of WOW, all information on the old website will be transferred to the new website to enable continued use.

If you have not used this application before, but would like to, you must first register. E-mail or call April Rose at [arose@state.mt.us](mailto:arose@state.mt.us), (406) 444-6963.

Information required:

1. Customer ID number
2. FEIN number
3. Business name
4. Contact name, phone number, and email address

If you are interested in ACH debit payment option also provide:

5. Bank Routing number for business
6. Bank Account number for business
7. Bank name

## **Customer Service**

### **Extended Property Tax Assistance Program (EPTAP)**

The Extended Property Tax Assistance Program (EPTAP) was created by the 2003 Legislature. The benefits of the program are specific to residential properties that experienced extraordinary valuation increases due to the statewide reappraisal. The program was designed to mitigate the valuation increase by allowing for a reduction in the tax rate on qualifying properties from current statutory levels. The tax rate on residential properties for tax year 2004 is 3.30%. The EPTAP program provides for tax rates ranging from 0.01% to 3.29%, depending on the level of qualification for the program. The benefit is applied to the residence and up to 5 acres of land immediately associated with the residence. The 2004 tax year is the 2<sup>nd</sup> year of the EPTAP program.

The only taxpayers who received applications in 2003 were those whose properties met all three of the following criteria:

- a. taxable value of the residence and up to 5 acres of appurtenant land increased by more than 24% over the 2002 taxable value, and
- b. tax liability had the potential to increase by at least \$250, and
- c. total household income could not exceed \$75,000.

Only those properties that met the three criteria in 2003 are eligible to qualify for the program benefits in 2004. Properties that sold since December 31, 2002 or have had new construction or remodeling which increased the reappraised value of the property by more than 25% over the 2003 value, are no longer eligible for any of the benefits of this program.

The program initially identified approximately 10,000 eligible properties statewide. Of those properties, the Department of Revenue received applications from 3700 property owners, of which 1900 properties received a benefit from the program. The program resulted in an average reduction in the tax rate for the 2003 tax year of 0.2% (reduced the tax rate from 3.40% to 3.20%). That translated into an average savings of \$75 in property taxes.

Extended Property Tax Assistance Program (EPTAP) applications will be mailed to eligible taxpayers by early March of 2004. The completed applications and supporting 2003 federal income tax returns (which must include copies of all schedules) are due back to the Department of Revenue at the address shown below, by April 15, 2004.

Montana Department of Revenue  
Sam W. Mitchell Building  
P.O. Box 5805  
Helena, MT 59604-5805

Taxpayers having questions or needing additional information should call (406) 444-6949.

### **Rev-A-News Customer Newsletter is a Success**

One of the most important goals of our department is customer service. We provide customer service through many avenues, including the Internet, Call Center, walk-in assistance and, more recently, this new electronic newsletter.

We created our first issue of Rev-A-News last November to help fill a void that existed in our communication to external stakeholders. Rev-A-News is e-mailed monthly to a wide variety of department customers, including legislators, county treasurers, tax preparers, business owners and individual citizens who have signed up from our website.

To date, we have received a considerable amount of positive feedback on Rev-A-News from several different customer groups. Customers are finding the information to be quite useful and, as a result, the Rev-A-News subscriber list has grown to more than 400 individual recipients in four months. When you consider that many of these recipients forward the e-mail to their constituents, employees, clients, associates and friends, you can see that we are getting information out to a quite sizable audience.

I encourage you to be part of Rev-A-News by submitting ideas for articles. Please provide your article ideas to Cynthia Pearson at [cpearson@state.mt.us](mailto:cpearson@state.mt.us) or Kelli Swanson at [kswanson@state.mt.us](mailto:kswanson@state.mt.us).

Rev-A-News is just one of the ways we are improving our customer relationships and, in turn, improving our business processes. Thanks for being a part of it!

### **About the Agency**

## Rules, Policies and Procedures Update

### Rules

#### Updated Chapters added to Internet

Fourth Quarter replacement page updates were posted to the Internet and are now available for use by staff and the public. These pages cover adoptions of: new rules; amendments; transfers; and repeals to department rules, which occurred between September 1 and December 31.

#### Up-Coming Hearings

- *MAR Notice No. 42-2-727* - Corporation License Taxes - New rules adopting the proposed Multistate Tax Commission (MTC) rules, for Chapter 26. Hearing date and time: 3/24/04 at 9:00 a.m. - Close of comment: 3/26/04.
- *MAR Notice No. 42-2-728* - Corporation License Taxes - Amending existing rules in Chapter 26 that applies to the water's-edge election by corporations. Hearing date and time: 3/24/04 at 1:30 p.m. - Close of comment 3/26/04.
- *MAR Notice No. 42-2-729* - Income Taxes - Family education savings account rules. Hearing date and time: 3/22/04 at 1:30 p.m. - Close of comment 3/26/04.
- *MAR Notice No. 42-2-730* - Income Taxes - First time homebuyers' credit rules. Hearing date and time: 3/22/04 at 3:00 p.m. - Close of comment 3/26/04.
- *MAR Notice No. 42-2-731* - Credits, incentives and exemptions that apply to personal and corporate income taxes. Hearing date and time: 3/25/04 at 1:00 p.m. - Close of comment 3/26/04.
- *MAR Notice No. 42-2-732* - Income Taxes - Medical savings account rules. Hearing date and time: 4/1/04 at 9:00 a.m. - Close of comment 4/9/04.
- *MAR Notice No. 42-2-733* - Property Assessment Taxes - Agricultural rules. Hearing date and time: 3/31/04 at 1:00 p.m. - Close of comment 4/9/04.

#### Adoption Activities

- *MAR Notice No. 42-2-726* - Property Chapter 19 amendments and changes to "extended property tax assistance program." The effective date of the rule action is 2/27/04.

The current rules and up-coming rule events may be viewed at the Department's web site: [www.discoveringmontana.com/revenue](http://www.discoveringmontana.com/revenue). If you have any questions about department rules, policies or procedures please contact Cleo Anderson via phone (406) 459-2646 or e-mail [canderson@state.mt.us](mailto:canderson@state.mt.us).

## Calendar of Events

### Committee Meetings

For committee membership, agendas, minutes and reports, visit our website at [www.discoveringmontana.com/revenue](http://www.discoveringmontana.com/revenue).

Property Tax Reappraisal Legislative Interim Committee, MACo Conference Room, 2715 Skyway Drive, Helena, Montana, 8:30 a.m. - 5 p.m. on March 4

Tax Reform Legislative Interim Committee, MACo Conference Room, 2715 Skyway Drive, Helena, Montana, 1 - 5 p.m. on March 25 and 8:30 a.m. - 5 p.m. on March 26

Property Tax Exemption Legislative Interim Committee, MACo Conference Room, 2715 Skyway Drive, Helena, Montana, 8:30 a.m. - 5 p.m. on April 28

## Meet Our Leadership

## **Larry Finch, Director's Office, Tax Policy and Research Administrator**

Larry Finch is the Administrator of Tax Policy and Research in the Department of Revenue. A native Montanan, Larry received an undergraduate degree in business finance (1978), and a master's degree in economics (1980) from Montana State University. He began his career in state government in 1980 working on utility regulation issues at the Public Service Commission. From January 1982 to June 1983 Larry worked in the Office of the Legislative Fiscal Analyst. He began his career with the Department of Revenue in 1984, and has worked in the tax policy and research office since then. Larry is married (his wife, Ruth, provides elder care), and has 3 children (one in high school, one in college, and one who is married and working). Much of Larry's leisure time is spent camping, fishing, hunting, boating and hiking in Montana's great outdoors.

## **Career Opportunities**

The Department of Revenue posts new job opportunities on Wednesday and Friday each week. Visit our website [www.discoveringmontana.com/revenue](http://www.discoveringmontana.com/revenue) and go to About the Agency for current job opportunities.

---

You are currently subscribed to rev\_a\_news as: fbrewer@state.mt.us.  
To unsubscribe send a blank email to leave-rev\_a\_news-23790K@lists.state.mt.us